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THE RAMPAGING FEDERAL MACHINE

During World War II, the U. S. government started buying and stockpiling many commodities to guarantee an adequate supply in times of war or other grave emergency. Following the bureaucratic penchant for continuing and enlarging any spending program once begun — and responding to pressure from private interests which enjoyed the profitable, guaranteed government market for commodities that otherwise must be sold in a competitive free market — the government continued stockpiling critical commodities after World War II ended.

Quinine was one of the commodities stockpiled. By 1956, the government stockpile contained 14 million ounces of quinine. The General Services Administration calculated that about 9 million ounces of this was surplus which should be disposed of.

Dutch quinine companies (which for years had had a virtual monopoly on the world supply of quinine) conceived a plan to get the American quinine surplus, and reestablish their world monopoly. To this end, the Dutch formed a cartel with quinine companies in France, Germany, and England. Officials of the companies comprising this international cartel held numerous secret meetings in Brussels, Paris, Heidelberg, Amsterdam, Hamburg, London.

By 1962, their plan was perfected. One buyer, claiming to represent Dutch quinine interests, offered to purchase all surplus quinine from the U. S. government stockpile. The State Department, the Justice Department, and the General Services Administration were warned against selling to Dutch interests. In a formal protest to the General Services Administration, the American Quinine Company said:

"If the past is any guide to the future . . . the cartel will buy the quinine at a low price from the GSA. This will remove the only barrier to the operation of the old monopoly because it cannot operate with a large supply (the stockpile) hanging over the market. The price of quinine to the American buyers will immediately be raised. The millions of poor people in the tropics will again have

THE DAN SMOOT REPORT is published weekly by The Dan Smoot Report, Inc., Box 9538, Dallas, Texas 75214 (office at 6441 Gaston Ave.). Subscriptions: \$18.00 for 2 years; \$10.00, 1 year; \$6.00, 6 months; first class, \$12.50 a year; airmail, \$14.50. Dan Smoot was born in Missouri, reared in Texas. With BA and MA degrees from SMU (1938 and 1940), he joined the Harvard faculty (1941) as a Teaching Fellow, doing graduate work in American civilization. From 1942 to 1951, he was an FBI agent; from 1951 to 1955, a commentator on national radio and television. In 1955, he started his present independent, free-enterprise business: publishing this REPORT and abbreviating it each week for radio and TV broadcasts available for commercial sponsorship by business firms.

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to pay tribute to the monopoly, and many of them will again be condemned to death because they cannot pay.”⁽¹⁾

Confronted by such warnings and cognizant of its own activities in prosecuting anti-monopoly laws against American business firms, the Department of Justice warned the GSA against selling quinine to Dutch interests. The State Department, however, put pressure on GSA to let the Dutch have the quinine. Why? The Dutch royal family owned some interest in the Dutch quinine business; and the State Department wanted to bribe the royal family to support NATO and other State Department foreign-policy ventures in Europe.

State Department prevailed. In 1962, the GSA sold 8 million ounces of quinine to the Dutch buyer, for 21 cents an ounce. Within a month, quinine prices started rising in every market of the world. By 1966, the world market price of quinine was above \$2.00 an ounce.

In the United States, a most damaging result of the quinine deal has been reflected in the price of quinidine, a drug, for heart patients, made from quinine. Before the Dutch-directed international cartel bought our quinine in 1962, quinidine was selling in the United States for less than \$1.00 an ounce. By 1966, quinidine was selling for \$5.00 an ounce. In the same period, the price of quinidine pills rose from \$2.00 a hundred to \$10.00 a hundred. What are the consequences of these skyrocketing prices of quinidine in the United States? Note these passages from a column entitled “Heart Victims Pay Price For Dutch Coup,” written by Saul Friedman, published in *The Commercial Appeal* (Memphis), March 30, 1967:

“For more than a quarter million Americans, a drug named quinidine keeps death away.

“But in places like Miami, whose retired folks try desperately to protect slowly failing hearts, it has almost become too expensive to live.

“And in places like Detroit, sufferers from congenital heart ailments must be content to shrug and pay the price the pharmacist asks—or die . . .

“Throughout the country, those who need quinidine to regulate their heart beats get a seemingly reasonable explanation . . . for the increase in the cost of the drug in the last few years.

“‘It’s the war in Vietnam,’ they are told. ‘The drug comes from quinine and our boys need a lot of it to keep away malaria.’

“The explanation is not true.

“The real reason was revealed recently by the Senate Antitrust and Monopoly Subcommittee . . . Documents laid bare the secrets of an international cartel that had conned the United States into helping it corner the world supply of quinine . . .

“The manipulators of the cartel met in hotel suites throughout Europe to divide their spoils and raise the prices on the precious drug . . . The cartel did all this with the help of the United States State Department and under the nose of the antitrust division of the Justice Department.”⁽¹⁾

How much tribute American heart victims have thus been forced to pay the international quinine monopoly which was created largely at American taxpayers’ expense and under pressure from the American State Department; how many heart victims have died because they could not pay the tribute; how much the increased quinine prices have increased the cost of supplying our troops in Vietnam; how much tax money was squandered in the total operation of buying quinine for the government’s stockpile, storing it for years, then selling it at below cost; how much (if any) kick-back State Department employees received from the international cartel; how much (if any) kick-back Justice Department employees received for looking the other way while the quinine deal was being made; how much tax money the Senate Antitrust and Monopoly Subcommittee spent to obtain the broad outlines of the story — these details will never be known.

But Congress knows generally what has happened; some members of Congress are outraged; and investigations are continuing. Yet, nothing of consequence will ever be done about the situation.

Relatively speaking, the quinine story is a very minor, inconsequential episode in a doomsday book which is much too massive and complicated to be read or understood. The best we can do is to take other samplings.

The Office of Education has "compliance teams" roaming through the South to determine whether school systems are complying with the Office of Education's concept of what the Civil Rights Act of 1964 requires in the way of racial integration. Southern congressmen allege that these bureaucrats arbitrarily and capriciously withhold federal tax money from public school systems whose operations they do not like, "harassing, intimidating, and browbeating individual school districts into compliance with secret instructions."

On April 20, 1967, one congressman told a House Appropriations Subcommittee about "brutal, inhuman" tactics used by an Office of Education field worker to force teacher integration in a southern school. Explaining how a white teacher can be compelled to teach in a colored school, the Office of Education worker said:

"Pick out a [white] school teacher with an aged parent or an invalid husband or one with heavy medical expenses. Such a teacher would be least able to resist."⁽²⁾

On April 28, John W. Gardner (Secretary of Health, Education, and Welfare) categorically denied the charges made against the Office of Education "compliance teams" — but announced that he was reorganizing civil rights enforcement in his Department, and revealed that Harold Howe II was being removed from desegregation enforcement activities.⁽²⁾ Howe, Commissioner of the Office of Education, is the man primarily responsible for the "compliance teams" highhanded tactics.

Here again, Congress knows what is going on; some congressmen are outraged; and they have effected some minor readjustments; but no basic changes will be made. Congress will continue to appropriate tax money for federal aid to education, which is unconstitutional; and will continue to appropriate tax money for enforcement of the unconstitutional Civil Rights Act of 1964.

On June 22, 1964, the American Medical Association's House of Delegates adopted a resolution criticizing the Department of Health, Education, and Welfare for "using sick people to carry out

social reforms." The Department's Office of Equal Health Opportunity has required hospitals in Alabama, Georgia, and Louisiana to give lists of all physicians practicing at the hospitals, the lists to show the percentage of Negro and white patients the physicians have sent to each hospital with which they are affiliated. A spokesman for the U. S. Public Health Service said this information is necessary to insure that "the law of the land" (Civil Rights Act of 1964) is being followed, because, he said, some southern physicians still admitted only white patients to traditionally white hospitals and sent Negro patients elsewhere.⁽³⁾

The AMA resolution said:

"This attempt to set hospital admissions by a race quota system could effectively deny the patient free choice of physicians and hospitals, since, when the physician's quota is full for a particular race in the hospitals where he practices, the patient would have to change physicians to continue treatment."⁽³⁾

Could this mean that a doctor who does not have both Negro and white patients, in whatever ratio government officials consider suitable, may not get any of his patients into a hospital for treatment?

Congressmen know about this, and many are angry about it, but Congress will continue appropriating tax money to perpetuate the situation.

Among the many books which made vicious attacks on Senator Barry Goldwater and which were widely distributed to discredit the Senator in 1964 was *Goldwater — Extremist on the Right*, written by Fred J. Cook, a leftwing extremist. In a broadcast over radio station WGCB in Red Lion, Pennsylvania, in 1964, the Reverend Billy James Hargis (conservative broadcaster, who is founder and director of Christian Crusade) criticized Cook and his attack on Goldwater. Hargis bought the air time for his broadcast.

Cook demanded *free* and equal time to answer Hargis. The station offered to sell him time, on the same basis that time was sold to Dr. Hargis — or, offered to give him equal time to answer Hargis, if he could show that he was unable to

pay. Refusing to pay for the time or to accept it free under the terms offered, Cook complained to the Federal Communications Commission. The FCC ruled that, under its Fairness Doctrine, Cook had an "unqualified right" to free time on WGCB, to answer a broadcast which Dr. Hargis had paid for. A U.S. Court of Appeals in Washington upheld the FCC ruling on June 13, 1967.⁽⁴⁾

But the FCC has no authority to issue or enforce its Fairness Doctrine. The Federal Communications Act of 1934 created the FCC, limiting its regulatory authority to a licensing function. The Act specifies that the Commission has no "power of censorship over the radio communications or signals transmitted by any radio station, and no regulation or condition shall be promulgated or fixed by the Commission which shall interfere with the right of free speech by means of radio communication."

The FCC's Fairness Doctrine cuts only one way — operates only when liberals are offended.⁽⁵⁾

On June 2, 1967, the FCC ordered radio and tv stations to give anti-smoking advocates a "significant amount of time" (free, that is) to counter the effects of cigarette advertising — but did not define "significant amount."⁽⁶⁾

Many people think soft drinks are harmful to health. Are they to be given free time to answer soft-drink ads? Many people are offended by beer ads. Are they to get free time on demand? Indeed, most tv ads are offensive to *someone* in our society. Where does this nonsense end? Imagine the consequences of plausible extensions of the FCC ruling on cigarette ads!

Congress is fully aware that the FCC exceeds its statutory authority. Most congressmen know about the double standard of the FCC's Fairness Doctrine. Yet, Congress keeps appropriating our tax money to pay for FCC's violations of the law and the Constitution.

Members of Congress may fuss and fume, and may even effect a few desirable changes now and then; but, in the end, they appropriate more of our tax money to fuel the gigantic federal machine which is rampaging wildly out of con-

trol, dissipating the resources and crushing the liberties of the people.

Why? Because the operations of government have become so colossal that they are not only beyond control: they are beyond human comprehension.

Pecking away at a few of the most irritating consequences of unconstitutional federal programs, while doing nothing to eliminate the programs themselves, is like treating cancerous sores externally with mild lotions.

Radical surgery is needed to trim the federal government down to constitutional functions. Congress could do that, but never will until the people elect constitutionalists to represent them in Washington.

In addition to electing a Congress which would cut the federal government down to legal and comprehensible size, the people should provide themselves a *guarantee* against tyrannical, big government, by restricting the flow of tax money which pays for government's illegal operations. In short, the people should demand the Liberty Amendment, which would repeal the income tax amendment, prevent treaties from overriding our Constitution, and prohibit the government from engaging in any activity not clearly authorized by the Constitution.

FOOTNOTES

- (1) "Heart Victims Pay Price For Dutch Coup," by Saul Friedman, *The (Memphis) Commercial Appeal*, March 30, 1967, p. 14
- (2) "'Browbeating' Laid to U. S. Enforcers," by Ed Rogers, *The Dallas Morning News*, May 21, 1967, p. A8
- (3) New York Times News Service dispatch from Atlantic City, New Jersey, *The Dallas Morning News*, June 23, 1967, p. A2
- (4) "Free Rebuttal Time On Air Is Upheld," by Eileen Shanahan, *The New York Times*, June 14, 1967, pp. 1, 79
- (5) See "The FCC And Fairness," *The Dan Smoot Report*, June 29, 1964, pp. 201-8; and "How Socialism Propagates Itself," *The Dan Smoot Report*, May 8, 1967, pp. 73-6.
- (6) "Smoking Opponents Will Get Their Puffs," UPI dispatch from Washington, *The Dallas Morning News*, June 3, 1967, p. A1

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